

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2017-363-C**

Application of: )  
)  
**Airus, Inc.** )  
For a Certificate of Public Convenience and Necessity To )  
Provide Facilities-based Local Exchange and Resold )  
Long Distance Telecommunications Services and For )  
Flexible Regulation of its Local Exchange Services and )  
Alternative Regulation of its Long Distance Service )  
Offerings Within the State of South Carolina )

**DIRECT TESTIMONY OF JOHN McCLUSKEY**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is John McCluskey. My business address is Airus, Inc. ("Airus"), 840 S. Canal  
4 Street, 7<sup>th</sup> Floor, Chicago, IL 60607.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am a consultant hired by Airus, Inc. to act as its General Manager.

7 **Q. Please give a brief description of your background and experience in business and**  
8 **telecommunications.**

9 A. I have over 25 years of experience in the telecommunications industry. My current role  
10 is General Manager and I am responsible for operating and managing Airus.

11 I have worked in several management positions for various competitive local  
12 exchange carriers ("CLECs"), interexchange carriers ("IXCs"), a Wireless Carrier and a  
13 telecommunications software provider. The management positions that I have held  
14 include Vice President of Operations, and Director positions of Network Cost, Business  
15 Planning, Regulatory, Billing and Customer Service departments.

16 As Director of Business Planning, I created the business plan and financial model  
17 that lead to bank funding of start-up CLEC CP Telecom.

18 As Director of Operations, I oversaw the network design, network start-up and  
19 ongoing operations for CLEC Access One.

20 As Director of Network Cost for US Cellular, my department lead projects that  
21 streamlined traffic routing and reduced cost by more than 10%.

22 As Director of Regulatory, I oversaw submissions of tariff filings and annual  
23 regulatory reports as well as worked with state public utility commissions regarding

1 fulfilling staff requests for information and the filing of CPCN applications in order to  
2 expand operations.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to describe the nature of Airus's proposed service  
5 offerings within the State of South Carolina, and to demonstrate its financial, managerial,  
6 and technical ability to provide the telecommunications services for which authority is  
7 sought herein.

8 **Q. Do you intend to incorporate by reference any documents into your testimony?**

9 A. Yes. I wish to incorporate by reference the underlying Application filed in this  
10 proceeding and its associated exhibits.

11 **Q. Are all of the statements in Airus's Application correct and true to the best of your  
12 knowledge, information and belief?**

13 A. Yes.

14 **II. THE BUSINESS OF AIRUS**

15 **Q. Has Airus registered to do business in South Carolina?**

16 A. Yes. Airus is registered with the South Carolina Secretary of State as a foreign  
17 corporation. Airus is incorporated in the State of Delaware. A copy of the qualifying  
18 documents is attached to the Application as Exhibit A.

19 **Q. Please describe the services Airus intends to provide within the State of South  
20 Carolina.**

21 A. Airus seeks authority to operate as a provider of facilities based and resold local  
22 exchange and resold long-distance services. Specifically, Airus seeks authority to provide  
23 primarily competitive access services, high-capacity telecommunications services,

1 including private line, transport, and long-distance services for enterprise customers,  
2 carriers and other network providers. Airus may also provide a range of facilities-based  
3 and resold local exchange services, which may include local exchange services and  
4 various ancillary services such as custom calling features. Airus has no plans to offer  
5 residential service.

6 **Q. What carrier will Airus utilize as its underlying carrier for services in South**  
7 **Carolina?**

8 **A.** Airus is requesting state-wide authority to provide both local exchange and interexchange  
9 services within South Carolina. Airus will provide telecommunications services through  
10 a combination of its own facilities, facilities leased from other carriers, and the resale of  
11 facilities and equipment of Incumbent Local Exchange Carriers (“ILECs”) operating in  
12 South Carolina. Airus intends to use a certified underlying carrier in South Carolina and  
13 intends to begin negotiations upon receipt of authority.

14 **Q. Is Airus currently authorized to provide intrastate telecommunications services in**  
15 **any other states?**

16 **A.** Yes. Airus is authorized to provide local exchange and/or interexchange  
17 telecommunications services in 48 states and the District of Columbia.<sup>1</sup> In addition,  
18 Airus’s parent company, Peerless Network, Inc. (“PNI”), has operating companies  
19 (Peerless Network of [STATE], LLC) authorized to provide telecommunications services  
20 in 44 states and the District of Columbia. These limited liability companies are affiliates  
21 of Airus, Inc.

22 **Q. Does Airus intend to file tariffs with the Commission?**

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<sup>1</sup> Airus is not currently certificated in South Carolina or Alaska.

1 A. Yes. Airus has submitted a draft local/interexchange tariff and a draft access services  
2 tariff as Exhibits D and E, respectively. We believe that Airus's proposed tariff comports  
3 with all orders, rules, and regulations of the Commission.

4 **Q. Will Airus comply with the Commission's orders regarding the resale of**  
5 **interexchange carrier services?**

6 A. Yes. Airus will, at all times, provide and market interexchange carrier services in  
7 accordance with current Commission policies. In addition, Airus provides, at all times,  
8 interstate services in compliance with all FCC rules and regulations.

9 **Q. Has Airus provided any intrastate telecommunications services within the State of**  
10 **South Carolina?**

11 A. No, it has not.

12 **Q. What rates will Airus charge customers upon receipt of certification?**

13 A. Airus will charge end users the tariff rates approved by the Commission.

14 **Q. How will Airus market services in South Carolina?**

15 A. Airus will market services in South Carolina to carriers and enterprise customers directly  
16 through its sales force.

17 **Q. What Regulatory Treatment is Airus seeking in this Application?**

18 A. Airus requests flexible regulation for its telecommunications services such as that granted  
19 by the Commission in Order No. 98-165 in Docket No. 97-467-C. Airus specifically  
20 requests that the Commission: (a) adopt for local exchange services a competitive rate  
21 structure incorporating maximum rate levels with the flexibility for rate adjustment below  
22 the maximum rate levels; and (b) presume that its tariff filings for local exchange services  
23 is valid upon filing, subject to the Commission's authority, within thirty (30) days, to

1 institute an investigation of such filings. At the discretion of the Commission, such  
2 filings may be suspended pending further order of the Commission and any such filings  
3 may be subject to the same monitoring process as the Commission applies to other,  
4 similarly situated carriers.

5 Airus further requests that private line offerings and interexchange business  
6 service offerings be regulated pursuant to the procedures described and set out in Docket  
7 No. 95-661-C, as modified by Order No. 2001-997-C in docket No. 2000-407-C. It is  
8 Airus's intent by this request to have its business services regulated in the same manner  
9 as this Commission has permitted for by AT&T Communications of the Southern States.  
10 Specifically, Airus requests that:

- 11 (a) maximum rate tariff requirements be removed for its business services, consumer  
12 card, operator service, and future private line, and customer network-type offerings;
- 13 (b) tariff filings for these uncapped offerings be presumed valid upon filing. If the  
14 Commission institutes an investigation of a particular filing within seven days, the  
15 tariff filing will be suspended until further order of the Commission; and
- 16 (c) any relaxation in the reporting requirements that may be adopted for AT&T also  
17 apply to Airus.

18 We understand that the alternative regulation orders were modified by Order No. 2001-  
19 997 so that rate caps were established for operator-assisted calls where a consumer uses a  
20 local exchange carrier's calling card to complete calls from locations which have not  
21 selected that local exchange carrier as their toll provider.

1 **III. Managerial, Technical, and Financial Qualifications**

2 **Q. Does Airus have sufficient managerial, technical, and financial resources and ability**  
 3 **to provide the telecommunications services proposed in its Application?**

4 A. Yes. Airus has sufficient technical, financial, and managerial resources and the ability to  
 5 provide the telecommunications services for which authority has been sought herein.  
 6 Airus's personnel represent a broad spectrum of business and technical disciplines,  
 7 possessing many years of individual and aggregate telecommunications experience. My  
 8 qualifications and experience were previously discussed in this testimony.

9 **Q. Please describe Airus's technical and managerial capability in more detail.**

10 A. PNI – Airus's parent company – was founded in 2008. PNI's management team has  
 11 strong managerial ability and experience in the telecommunications industry that will  
 12 allow it to be a successful telecommunications carrier in the State of South Carolina. In  
 13 addition to my experience, Douglass Lee (Chief Financial Officer) has over 15 years of  
 14 telecommunications experience. Prior to joining PNI, he was co-founder and Executive  
 15 Vice President/Chief Financial Officer of TeleGuam Holdings, LLC. Scott Kell,  
 16 Executive Vice President of Operations has more than 16 years of experience in the  
 17 telecommunications industry. A list of Directors and Officers and the biographies of the  
 18 senior management of PNI are attached to the Application as Exhibits B and C.

19 PNI has achieved a number of significant operational milestones that demonstrate  
 20 its technical and management's capability, including the following:

- 21 • PNI built an all IP network with points of presence in Chicago, New York City,  
 22 Philadelphia, St. Louis, Los Angeles, Atlanta, Miami, San Francisco, Camden, Jersey  
 23 City, Atlantic City, Cleveland, Columbus, Connecticut, Indianapolis, Milwaukee,

Orlando, San Diego, Tampa, Boston, Phoenix, Dallas, Denver, Seattle, Las Vegas, Charlotte, Portland, and Nashville.

- PNI established a diverse and redundant nationwide 10 Gbps transport network supporting sub second failover at all layers.

As a result, PNI is now connected to nearly every major domestic carrier offering call origination and termination services in over 100 Local Access Transport Areas (“LATAs”) and 30 Major Trading Areas (“MTAs”).

**Q. How does Airus handle customer service requests?**

A. Airus operates a customer service department that can be reached conveniently by a toll free number, 1-844-GO-AIRUS (1-844-462-4787) or (312) 878-4164, 8:00 a.m. – 6:00 p.m. Monday through Friday. Airus’s network operations center is available 24 hours per day, 365 days a year and can be reached at 1-844-GO-AIRUS or (312) 878-4160.

**Q. Please describe the financial condition of Airus?**

A. Airus is a wholly-owned subsidiary of PNI. PNI’s South Carolina operating subsidiary, Peerless Network of South Carolina, LLC, was granted a CPCN by this Commission in Order No. 2013-149 in Docket No. 2012-435-C. PNI has subsidiaries specializing in providing telecommunications services that are certificated in over 40 states and has sufficient financial resources to guarantee the financial soundness of Applicant.

**Q. How will residents of South Carolina benefit from Airus’s services and presence in South Carolina?**

A. Approval of Airus’s Application will promote the public interest by creating greater competition in the provision of telecommunications services in South Carolina. Airus will provide the highest quality service at competitive prices. Since Airus is dedicated to



1 open and full competition, it can maximize customer savings, lower unit costs and  
2 improve customer service. Airus has access to one of the largest interconnection  
3 networks in the country, enabling wireless carriers, competitive and incumbent local  
4 exchange carriers, cable companies, and others to connect with each other regardless of  
5 how, where or who they need to interconnect. Airus's participation in South Carolina's  
6 intrastate telecommunications market will also expand the tax base and revenue sources  
7 for the State.

8 In sum, granting Airus's Application is in the public interest because it will  
9 enhance competition, generating the benefits that result from competition, such as  
10 customer choice, a more efficient, innovative, technologically advanced and diverse  
11 telecommunications infrastructure, higher service quality and competitive prices in the  
12 State of South Carolina.

13 **Q. Does Airus seek waivers of any of the Commission's regulations?**

14 A. Yes. Airus is requesting the following waivers:

- 15 • Airus requests an exemption from policies that might require a carrier to maintain its  
16 financial records in conformance with Uniform System of Accounts ("USOA"). As a  
17 competitive carrier, Airus maintains its books in accordance with Generally Accepted  
18 Accounting Principles; and therefore, does not possess the detailed cost data required  
19 by USOA.
- 20 • Airus requests a waiver of the requirements of S.C. Reg. 103-610 that a carrier keep  
21 all records required by the Commission's rules and regulations within the State of  
22 South Carolina. Since the company's corporate offices are in Illinois, maintaining its  
23 books and records in South Carolina would be unduly burdensome. Airus has a

1 registered agent in South Carolina and will make its books and records available to  
2 the Commission and ORS upon request.

- 3 • To the extent that Airus offers voice services to end users in South Carolina in the  
4 future, it will comply with S.C. Reg. 103-631 by having its customer information  
5 listed in directories that will be distributed to its customers.
- 6 • Airus requests a waiver of S.C. Reg. 103-612.2.3, the requirement to file operating  
7 maps with the Commission since Airus seeks statewide certification.
- 8 • Airus does not intend to provide retail residential local exchange services at the  
9 present time. Airus is aware of S.C. Reg. 103-607's requirement that a bond be  
10 posted if a company offers residential local service. Should future plans change in  
11 regard to this service offering, Airus will comply with the bond requirement.

12 These waivers have been granted for other similarly situated carriers and Airus requests  
13 that the Commission provide Airus with the same treatment.

14 **Q. Will the service Airus intends to provide meet the service standards of the**  
15 **Commission?**

16 A. Yes, Airus will meet the service standards of the Commission.

17 **Q. Will granting Airus's application adversely impact the availability of affordable**  
18 **local exchange service?**

19 A. No.

20 **Q. Will Airus support universally available telephone service at affordable rates as**  
21 **required by the Commission?**

22 A. Yes.

1    **Q.     Does this conclude your testimony?**

2    A.     Yes. I would like to thank the Commission for this opportunity to provide information  
3           relevant to Airus's Application and am ready to provide any additional information that  
4           the Commission may need in making its decision.